No. ____

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93-283

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

FONAR CORPORATION,

Petitioner,

—v.—

DECCAID SERVICES, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEVEN STECKLER, LOUIS TREGLIA and PETER KIM,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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73pp.

QUESTIONS PRESENTED

1. Can a Writ of Mandamus be issued by a Court of Appeals without affording the District Court and the respondent below any opportunity to oppose the petition seeking such mandate, in violation of the express provisions of Rule 21(b) of the Federal Rules of Appellate Procedure, due process of law, and the concept of fundamental fairness?

2. Can a Court of Appeals through a Writ of Mandamus substitute its discretion for that of the District Court and mandate modification of a confidentiality/protective order, which the District Court issued in the exercise of its discretion under express authority of Rule 26(c) of the Federal Rules of Civil Procedure?

LIST OF PARTIES

The parties to the action in the District Court are as follows:

The Petitioner, Fonar Corporation and the Respondents, Deccaid Services, Inc., Stephen Steckler, Peter Kim, Luigi Treglia, Medical Funding of America Inc., David Smith and Morton Mackof. In addition, Equi Med Leasing, Inc. was a party in the trial court. Equi Med Leasing, Inc. has defaulted and has not participated in the matters before the lower court and is not a respondent before this Court.

Petitioner, Fonar Corporation, has no parent companies, subsidiaries, or affiliates to list pursuant to Rule 29.1.

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In the
SUPREME COURT OF THE UNITED STATES
October Term, 1993
No. _____

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FONAR CORPORATION,

Petitioner,

-against-:

DECCAID SERVICES, INC.,
MEDICAL FUNDING OF AMERICA,
INC., DAVID SMITH, MORTON
MACKOF, STEVEN STECKLER,
LOUIS TREGLIA and PETER KIM,

Respondents.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Fonar Corporation ("Fonar" or "Petitioner") respectfully prays for a Writ of Certiorari to review the Writ of Mandamus and Mandate of the United States Court of Appeals for the Second Circuit, issued in this case on June 9 and June 14, 1993, respectively, and that, summarily or upon hearing that the issuance of the Writ of Mandamus be reversed.

OPINION/ORDER BELOW

The Order for a Writ of Mandamus of the United States Court of Appeals for the Second Circuit has not been reported. It is reprinted in the appendix, App. 2a-23a, infra.[1] The Order of the District Court (Wexler, D.J.) affected by the Writ of Mandamus has also not been reported. It is the underlying order that is reprinted as part of the Writ of Mandamus and is the same as the order appearing at App. 6a-21a, infra, but without the redactions and insertions.

JURISDICTION

The Writ of Mandamus was issued by the Court of Appeals for the Second Circuit on June 9, 1993 and the Mandate issued on June 14, 1993 (App. 2a-23a). A timely motion for leave to move for reconsideration was denied on July 14, 1993 (App. 24a-26a). This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

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[1] Pages in the appendix are cited as "App. __a".

CONSTITUTIONAL PROVISION AND STATUTES INVOLVED

U.S. Constitution, Amendment V:

> "No person shall be... deprived of life, liberty, or property, without due process of law... ."

All Writs Act, 28 U.S.C. § 1651(a):

> "The Supreme Court and all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law."

Federal Rules of Appellate Procedure, Rule 21:

> **"Writs of Mandamus and Prohibition Directed to a Judge or Judges and Other Extraordinary Writs**
>
> * * *
>
> (b) **Denial; Order Directing Answer.** If the court is of the opinion that the writ should not be granted, it shall deny the petition. Otherwise, it shall order that an answer to the petition be filed by the respondents within the time fixed by the order. The order shall be served by the clerk on the judge or judges named respondents and on all other parties to the action in the trial

court. All parties below other than the petitioner shall also be deemed respondents for all purposes. Two or more respondents may answer jointly. If the judge or judges named respondents do not desire to appear in the proceeding, they may so advise the clerk and all parties by letter, but the petition shall not thereby be deemed as admitted. The clerk shall advise the parties of the dates on which briefs are to be filed, if briefs are required, and of the date of oral argument. The proceedings shall be given preference over ordinary civil cases."

Federal Rules of Civil Procedure, Rule 26:

"General Provisions Governing Discovery

* * *

(c) **Protective Orders.** Upon motion by a party or by the person from whom discovery is sought, and for good cause shown, the court in which the action is pending. . . may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense including one or more of the following:
(1) that the discovery not be had; (2) that the discovery may be had only on specified terms and conditions, including a designation of the time or place; . . . (5) that discovery be conducted with no one present except persons designated by the court; . . . (7) that

a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way... ."

STATEMENT OF THE CASE[2]

Fonar manufactures and services magnetic resonance imaging ("MRI") scanners, highly sophisticated machines providing images of human tissue and bone for detection and diagnosis of disease and physical condition, without invasive x-rays. As part of its MRI system, Fonar created computer software, including software to assist in maintenance and repair of the MRI machines, and schematic drawings of the components and circuit boards used to assist maintenance and repair of the system. The software is the subject of copyright rights, and the schematic drawings are trade secrets.

Respondent Deccaid Services, Inc. ("Deccaid") is a direct competitor of Fonar in the service and maintenance of Fonar machines. Respondents Steckler, Kim and Treglia, former Fonar employees, were employed by Deccaid. The other Respondents were former Fonar employees or their employers, and were

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[2] Most of the facts are contained in the documents annexed to the petition filed with the Court of Appeals for the Second Circuit, some of which are reproduced in the appendix, infra. Because Fonar was not permitted to file opposition papers, as elaborated below, it did not have the opportunity to put before the Second Circuit all of the facts -- background and procedural -- which should have been considered in opposition to the petition.

either competitors, or assisted competitors of Fonar.[3] Respondents, directly or indirectly, wrongfully misappropriated and used, or assisted in the wrongful use of, the copyrighted software and trade secrets in competition with Fonar.

Fonar brought this action in the United States District Court for the Eastern District of New York alleging copyright infringement and misappropriation of trade secrets, and sought a preliminary injunction.

On October 2, 1991, the District Court issued a temporary restraining order prohibiting the use of Fonar's software and schematic drawings. (App. 30a-31a).[4]

Notwithstanding that restraining order, and within weeks of its issuance, several Respondents used the copyrighted software and schematic drawings. After a hearing, they were adjudged in contempt of court, and a preliminary injunction was issued. (App. 32a-41a)[5].

Thereafter, on appeal, the Second Circuit vacated the Preliminary Injunction and the Contempt Order on

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[3] Defendants will be referred to collectively herein as "Respondents".

[4] The preliminary injunction order which was put before the Second Circuit was an amended order, but is substantially the same as the original order.

[5] Fonar Corp. v. Deccaid Services, Inc., 787 F.Supp. 44 (E.D.N.Y. 1991), vacated, remanded, app. dismissed, in part, 983 F.2d 427 (2d Cir. 1993).

the ground that the injunction lacked precise definition, and required reference outside the four corners of the Order.[6]

Discovery then began and, Fonar applied for and was granted by the District Court a confidentiality/protective order. The order, among other things, established a category of "specially confidential information" covering the sensitive confidential commercial information that was to be produced, which was to be viewed only by Respondents' counsel and their experts, but not Respondents, themselves.

Respondents' motion to the District Court to reconsider and strike the confidentiality/protective order was denied, with leave to renew that application if specific need was shown. (App. 42a-44a).

Not satisfied, on May 27, 1993, Respondents applied to the Court of Appeals for the Second Circuit for a Writ of Mandamus to Vacate or Modify that Confidentiality/Protective Order. The principal thrust of the petition was directed to provisions of the Confidentiality/Protective Order relating to the procedure and timing for appointment and approval of expert witnesses. Only tangentially did it address the category established for specially confidential information.

On June 1, 1993, the Court of Appeals confirmed to Petitioners receipt of the petition and, by copy of that confirmation, informed Fonar's counsel that no

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[6] Fonar v. Deccaid Services, Inc., supra, 983 F.2d 427.

opposing papers could be filed unless directed to do so by the Court and that there would be no oral argument. (App. 1a). Neither the District Court nor counsel for Fonar was ever informed that any answer to the petition would be permitted.

Without requesting or receiving any opposing papers from Fonar or from the District Court, on June 9, 1993, the Court of Appeals issued its Writ of Mandamus directing that, among other things, the provisions for "Specially Confidential Information" be stricken. No opinion or statement of reasons was set forth. The mandate, identical to the Writ of Mandamus, issued five days later (App. 24a-26a).

On June 16, counsel for Fonar moved for leave to make a motion for reconsideration of the Writ of Mandamus, only with respect to the Specially Confidential Information. On July 14, 1993, in the following one-word decision, leave was: "Denied" (App. 27a-29a).

REASONS FOR GRANTING THE WRIT

I: The Issuance of a Writ of Mandamus Without Permitting Opposition, in Violation of the Federal Rules of Appellate Procedure, Undermines This Court's Supervisory Authority, and Denied Fonar Due Process of Law.

The Second Circuit issued a Writ of Mandamus without affording Fonar or the District Court the opportunity to oppose the petition. Indeed, they were forbidden to file opposition papers. In so doing, the

Second Circuit ignored the clear language of Rule 21(b) of the Federal Rules of Appellate Procedure, which expressly requires an opportunity for the respondent to be heard, both on papers and in oral argument, before a writ may be granted.

This Court established the Federal Rules of Appellate Procedure under the Rules Enabling Act, 28 U.S.C. § 2072 and declared that they were adopted "to govern the procedure in appeals to the United States Courts of Appeals", Order of the Supreme Court of the United States Adopting and Amending Rules, December 4, 1967. The obvious purpose, applying to all United States Courts of Appeals, was to achieve uniformity and to assure due process in the conduct of appeals throughout the Federal judicial system. But if the Rules can be so lightly ignored, the purpose of their adoption would be defeated.

The underpinning of the particular rule disregarded by the Second Circuit is due process and fundamental fairness, guaranteed by the Fifth Amendment to the U.S. Constitution. It is axiomatic that due process requires that a party to a litigation be heard before a decision is rendered against him. This is the very definition of due process offered by Daniel Webster, in his argument in the Dartmouth College case: due process of law is "a law which hears before it condemns; which proceeds upon inquiry, and renders judgment only after trial." The Trustees of Dartmouth College v. Woodward, 4 Wheat (17 U.S.) 518, 4 L.Ed. 629 (1819).

Thus, by failing to permit an answer and opposition to the petition before issuance of the Writ of Mandamus, the Second Circuit has both ignored the

explicit requirements of Rule 21(b) of the Federal Rules of Appellate Procedure, and deprived Fonar of the due process of law to which it is entitled.

The failure to follow Rule 21(b) matters here. First, had Fonar been afforded the opportunity to answer and oppose the petition,[7] it would have shown the Second Circuit that mandamus could not properly be granted here, citing the decisions of this Court which hold that the extraordinary Writ of Mandamus is to be used only in exceptional circumstances amounting to a judicial usurpation of power or clear abuse of discretion. E.g., Gulfstream Aerospace Corporation v. Mayacamas Corporation, 485 U.S. 271, 289 (1988). And Fonar would have shown that this Court's holding is followed in other circuits, and that it is in conflict with the issuance of the Writ of Mandamus here by the Second Circuit. See point IIA and IIB, below, and the cases cited there.

Second, Fonar would have shown that, by issuing its Writ of Mandamus, the Second Circuit had substituted its own discretion on a matter relating to discovery and protective orders, matters which are committed to the sound discretion of the trial court by Rule 26(c) of the Federal Rules of Civil Procedure. And the fact is that the district courts regularly have exercised discretion to limit disclosures of highly

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[7] After issuance of the Writ, because of the importance of the issue to Fonar's business, Fonar sought to present the arguments to the Second Circuit by seeking leave to move to re-argue. Fonar's request for leave was denied. (App. 27a-29a).

sensitive competitive information to only lawyers and experts See Part IIB, below.

And finally, though we didn't then know it was necessary, we would have quoted to the Second Circuit the following passage:

> "Courts should sanction deviation from the letter of the Rules [of Appellate Procedure] only on the most compelling showing that the purposes [of the Rules of Appellate Procedure] are served." Orbitec Corporation v. Schindler, 520 F.2d 358 (2d Cir. 1975).

No such showing was -- or could be -- made.

II: The Court of Appeals' Decision Conflicts With Precedents of This Court and With Decisions of Other Courts of Appeals.

The violation of Rule 21(b) of the Federal Rules of Appellate Procedure and Fonar's right to due process is so clear, that that alone justifies issuance by this Court of its writ of certiorari to the Second Circuit. But further, upon issuance of that writ -- because, separate and apart from the procedural failure, the issuance of the writ of mandamus was unauthorized -- rather than simply remanding this case to the Second Circuit to hear the argument they denied to Fonar and the District Court, this Court should summarily reverse the Second Circuit's writ of mandamus.

A. Although this Court has several times stated the circumstances under which issuance of writs of mandamus is appropriate, the Second Circuit in its order

below has apparently redefined those circumstances. It has in effect substituted its discretion for the discretion delegated to and exercised by the District Court under the Federal Rules of Civil Procedure also established by this Court. It is, therefore, important that the prescription for use of the Writ of Mandamus be reaffirmed, to assure compliance with this Court's direction and to avoid conflicts in the circuits.

This Court's most recent expression of the principles governing the use of a writ of mandamus came in Mallard v. U.S. District Court for Southern District of Iowa, 490 U.S. 296, 104 L.Ed.2d 318, 109 S.Ct. 1814 (1989). In that case, citing earlier cases, this Court set down three basic tests, all of which had to be met for issuance of a writ of mandamus. The first required the finding of a usurpation of power, or a clear abuse of discretion; the second requires petitioners to show that they lack an adequate alternative to obtain the relief they believe they are entitled to; and the third is to demonstrate that their right to issuance of the writ is clear and indisputable. Gulfstream Aerospace Corporation v. Mayacamas Corporation, supra, Kerr v. United States District Court, 426 U.S. 394, 402, 48 L.Ed.2d 925, 96 S.Ct. 2119 (1976); Bankers Life & Casualty Co. v. Holland, 346 U.S. 379, 383 98 L.Ed. 106, 111, 74 S.Ct. 145 (1953); De Beers Consolidated Mines, Ltd. v. United States, 325 U.S. 212, 217, 89 L.Ed. 1566, 65 S.Ct. 1130 (1945).

B. These principles have been followed in the First Circuit, In re Insurers Syndicate for Joint Underwriting, etc., 864 F.2d 208, 211 (1st Cir. 1988)("[A] mandamus petition must exhibit 'clear entitlement to the relief requested,'... that is, the right to the writ must be 'clear

and indisputable.' It is precisely for that reason that mandamus, as a general rule, will not issue to control exercises of judicial discretion."(citations omitted)); the Third Circuit, In re Bankers Trust Co., 775 F.2d 545, 547 (3rd Cir. 1985)("Where a matter is committed to the discretion of the district court, and therefore it cannot be said that a litigant's right to a particular result is 'clear and indisputable', a writ of mandamus will only be granted for clear error of law."); the Fifth Circuit, Weber v. Coney, 642 F.2d 91, 92 (5th Cir. 1981)("Mandamus is an extraordinary remedy that lies only to confine a lower court within its jurisdiction or to compel it to perform ministerial, not discretionary functions. ... We have uniformly declined to issue the writ except upon a strong showing of necessity for its use." (citations omitted)); the Tenth Circuit, Barclaysamerican Corp. v. Kane, 746 F.2d 653, 654 (10th Cir. 1984)("Mandamus may not be used as a substitute for appeal (Will v. United States, [389 U.S. 90, 97, 19 L.Ed.2d 305, 88 S.Ct. 269, 289 (1967)]), and 'as a general rule appellate review should be postponed until after final judgment has been rendered by the trial court.'" [citing Allied Chemical Corp. v. Daiflon, Inc., 449 U.S. 33, 35, 101 S.Ct. 188, 190, 66 L.Ed. 2d 193 (1980)).

The decision of the Second Circuit is clearly in conflict with the decisions of this Court and the decisions of the various circuits, cited above.[8] First, it

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[8] Indeed, the Second Circuit's issuance of the writ of mandamus is contrary to its own previously stated rule which, at least in the past, faithfully followed the decisions of this Court. UAW v. National Caucus of Labor Committees, 535 F.2d 323, 325 (2d Cir. 1975).

is clear that the supervision of discovery and the issuance of protective orders is squarely within the power conferred on the district court. Indeed, this Court promulgated Rule 26 of the Federal Rules of Civil Procedure, particularly Subsection (c) and the subparts thereof which expressly confer on the district court broad discretion to supervise discovery.

By establishing a separate category for Specially Confidential Information in which would be included the highly confidential commercial information which could be misused by competitors such as Respondents, the District Court was operating squarely within Rule 26(c), Subparts: (2), prescribing "that the discovery may be had only on specified terms and conditions, including a designation of the time or place"; (5), providing "that discovery be conducted with no one present except persons designated by the Court"; and (7), providing "that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way".

It is also clear and well established that setting up a separate category for Specially Confidential Information for viewing by designated persons, usually counsel and excluding parties, does not constitute a "clear abuse of discretion"[9] as required for issuance of

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The order below, may signal a dangerous departure allowing interlocutory appellate review of orders through the improper use of mandamus.

[9] This Court has held that an ordinary abuse of discretion does not justify issuance of a writ of discovery mandamus. Will v. Calvert Fire Ins. Co., 437

a writ of mandamus. Indeed it is common to have such a protective order when trade secrets or confidential information is involved. E.g., Brown Bag Software v. Symantec Corp., 960 F.2d 1465 (9th Cir. 1991), cert. denied subnom., BB Asset Management, Inc. v. Symantec Corp., -U.S.-, 121 L.Ed.2d 141, 113 S.Ct. 198 (1992)(even prohibiting view of documents by inside counsel); Quotron Systems Inc. v. Automatic Data Processing, Inc., 141 F.R.D. 37, 40 (S.D.N.Y. 1992)("[p]rotective orders that limit access to certain documents to counsel and experts only are commonly entered in litigation involving trade secrets and other confidential research, development or commercial information."); Davidson Pipe Company v. Laventhol & Horwath, 120 F.R.D. 455, 465 (S.D.N.Y. 1988)(the "better approach"); Multi-Core, Inc. v. Southern Water Treatment Co., 139 F.R.D. 262, 264 (D. Mass. 1991); United States v. Davis, 131 F.R.D. 391, 400 (S.D.N.Y. 1990); GTE Products Corp. v. GEE, 112 F.R.D. 169, 171-72 (D. Mass. 1986); Culligan v. Yamaha Motor Corp., 110 F.R.D. 122, 125-126 (S.D.N.Y. 1986); Stillman v. Vassileff, 100 F.R.D. 467, 468 (S.D.N.Y. 1984); Chesa International Ltd. v. Fashion Associates, Inc., 425 F.Supp 234 (S.D.N.Y.), aff'd without op., 573 F.2d 1288 (2d Cir. 1977).

By establishing this separate category for Specially Confidential Information, the District Court ordered that all of the documents so categorized be produced to Respondents, but that access to them be had only by counsel and by experts hired presumably for the express purpose of evaluating that very material; therefore, Respondents would not be prejudiced. Thus, the

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U.S. 655, 57 L.Ed. 504, 98 S.Ct. 2552 (1978).

District Court was exercising the discretion expressly granted to it by Fed. R. Civ. P. 26(c)(7). And the District Court was best situated to exercise that discretion. "Decisions regarding the scope of discovery ... and the protections to be afforded parties in the discovery process, are ordinarily left to the informed judgment of the district judge, who is in a unique position to gauge and balance the potentially conflicting interests at stake." In re Recticel Foam Corp., 859 F.2d 1000, 1006 (1st Cir. 1988). Indeed, the District Court had taken testimony from Respondents and was aware of their prior behavior in utilizing Fonar's maintenance software and schematic drawings despite the issuance of a restraining order prohibiting such use. Under those circumstances, the District Court was fully justified in its determination to prohibit such Respondents from viewing the highly sensitive, confidential commercial information.

Consequently, not having shown a usurpation of power or a clear abuse of discretion, Respondents necessarily failed to establish a clear and indisputable right to the issuance of the Mandamus.

But even further, Respondents failed to show the Second Circuit that Mandamus was the only, or even best, avenue of relief. First of all, their right to an appeal after conclusion of the case, remained. Bankers Life & Casualty Co. v. Holland, supra.

Second, the District Court, itself, provided in its Order denying Respondents' Motion for Reconsideration, the opportunity for Respondents to return and seek revision of the Confidentiality/Protective Order, if after

the discovery progressed, it could be shown to be necessary. (App. 42a-44a).

Thus, the requirement that mandamus be the only alternative as a prerequisite for its issuance, was also ignored by the Second Circuit.

Last, Respondents failed to show the Second Circuit that there was any true need to strike the category of Specially Confidential Information, by mandamus, or otherwise. Its concern was principally with the provisions relating to the method and timing for appointing experts retained by Respondents who could examine the material and to the imminence of the trial date.[10]

What becomes clear from the principles of this Court and those expressed by the other circuits is that the Second Circuit in its order here, misused the extraordinary writ of mandamus without any explanation, by opinion, statement or otherwise. In so doing, it simply substituted its own discretionary judgment on discovery issues for that of the District Court. This Court, and the other circuits have recognized that, absent clear abuse, such issues are delegated to, and remain with the district court. Such a substitution of discretion is inappropriate and impermissible. Platt v. Minnesota Mining & Manufacturing Co., 376 U.S. 240, 245, 11 L.Ed.2d 674, 84 S.Ct. 769 (1964).

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[10] Since the Second Circuit ordered an adjournment of the trial, the District Court has informed counsel that the trial will not commence in 1993. In addition, Respondents have retained their expert.

CONCLUSION

The express requirements of the Federal Rules of Appellate Procedure cannot be allowed to be ignored. For violating Rule 21(b), alone, this Court's Writ of Certiorari to the Second Circuit should issue. But, further, the extraordinary Writ of Mandamus should remain extraordinary, and the Second Circuit's use of that writ where none of the three pre-requisites for its issuance exists, should be reversed.

Dated: New York, New York
August 23, 1993

Respectfully submitted,

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